



**MEMORANDUM**

TO: City Council

FROM: L. Kimball Payne, III, City Manager

DATE: November 3, 2005

SUBJ: Tourism Program Work Session

Since Council's meeting of October 25, I have had a series of meetings with stakeholders in the tourism program. I offer the following to help Council to focus its discussion during the work session. I am continuing to work on this so there could be changes before your session on November 8. This, however, is how I see things as of today.

There seems to be some consensus that the ideal structure for a tourism program would be an independent, regional entity such as an authority. I believe that this cannot be done at a lower cost than the current program and that getting other regional entities on board will require time. Furthermore, there needs to be a universal understanding of the function, goals and measurements of a tourism program. Presently, that understanding does not exist.

Moving to an independent, regional entity will take much community discussion and considerable effort and time. In order to provide a framework for that to happen I offer the following proposed concept.

- Renew the contract with the Chamber of Commerce for a two year period, with an optional additional one year period for a transition to a new program structure once such a structure is agreed upon.
- Fundamentally restructure the Tourism Advisory Council to establish qualifications for membership, grant authority over budget development and implementation, provide authority for program design and operation, and define other expectations. TAC membership would include representatives from all stakeholder groups as well as the Director of Economic Development and the Director of Communications and Marketing from the City.
- Put procedures in place to ensure full accountability and transparency of the tourism program budget and its relation to the overall Chamber budget.

- Establish program performance measures.
- Simplify the funding formula to a straight percentage of lodging tax revenue with any additional funds over the current year to be dedicated to marketing.
- Create an oversight committee consisting of the Mayor or Vice-Mayor, the City Manager, the Chair of the Chamber Board of Directors, and the President of the Chamber to address high level policy and personnel issues related to the program.
- The TAC and the entire community would work over the two year period to define the long term goals and expectations of the tourism program and to work toward the establishment of an independent, regional authority with input from all stakeholders. During this period the establishment of an additional regional visitors' center in the Rt. 460/29 corridor (between Tyreeanna and the regional airport) would also be explored.

I have shared this proposed concept with both the Hotel/Motel Association and the Chamber of Commerce. They have accepted the concept although there remain a number of details to be worked out.

I will be prepared to discuss this concept with Council during its work session. In addition, if Council desires, I am prepared to share my thoughts and concerns regarding both proposals that have been presented, and, in particular, my concern that placing the program under City administration will not satisfy expectations. Attached are responses to questions that I asked of each group. I have also included some notes to which I can provide more detail if desired.

CC: Joann Martin  
Mary Jane Russell

Attachments

**Tourism Proposal  
Questions For Chamber of Commerce**

**1. What should be the top three goals of the tourism program?**

- a) Through the Lynchburg Regional Convention & Visitors Bureau (LRCVB), The Chamber will promote the region as a desirable destination for visitors, with many attractions.
- b) Provide a variety of information about the Lynchburg region to visitors interested in attending events, visiting attractions, or moving to the region.
- c) Market Lynchburg and the region as a location for meetings, tours, conventions, tournaments, and events

**2. What specific actions could improve the tourism program?**

Incorporate recommendations as outlined in the VA Tech Operational Audit and Survey.

- a) Performance - The LRCVB should develop a method for obtaining, analyzing and reporting the results of performance. The survey recommends using the performance techniques outlined in the *IACVB's Recommended Standard CVB Performance Reporting: A Handbook for CVBs*.
- b) Governance – More clearly define the role and composition of the Tourism Advisory Council. Include a representative from each of the communities located in the LRCVB service area and at least one representative from each of the primary tourism stakeholders served. (i.e. lodging, attractions, restaurants, etc.) The LRCVB can develop a Tourism Advisory Council member application form that assesses an applicant's tourism industry experience, his or her ability to meet the time commitments required of council members, and his or her marketing and strategic visions skills.
- c) Communications – Share information collected and prepared for internal reports with stakeholders until a formal performance measurement has been identified, and conduct regular forums that would allow stakeholders to participate in discussions with LRCVB management and staff. Continue to take steps towards improving internal communications. Steps have been taken toward that end by engaging staff and management in communication and leadership workshops.
- d) Increase web presence by including key words on webpage to increase the likelihood of "hits" and utilize Meta Tags to make it easier for users to find the web site.
- e) Funding – Explore a regional funding arrangement to improve competitive position.

**3. What do you consider to be the most relevant measures of performance?**

Trackable visitation numbers. This could be obtained through visitation at the Lynchburg Visitor Information Center; attendance numbers for festivals, meetings, sporting events, and conferences. The tracking of leads and inquiries generated by the LRCVB. Hotel occupancy rates for Lynchburg. The IACVB also recommends Visitor expenditures and Visitor Profiling.

**4. What should be the focus of marketing efforts?**

Advertising, public relations, sales and promotions. Research could also be included. These efforts will work to target potential travelers to Lynchburg by creating, supporting, and implementing programs that motivate travelers to visit.

**5. Explain methodology of the average percentage of lodging tax calculation.**

The current contract contains a funding formula that has been pieced together over the 13-year relationship of the existing contract. This formula is unnecessarily arduous and complex. The average percentage of lodging taxes paid to the LRCOC is 35.8% averaged over the last five-year period. We propose simplifying the funding formula by earmarking 35.8% of the previous year's total lodging taxes as funding for the Tourism program. This approach would be easier to compute, track, and understand. This proposed funding system will provide a steady funding source enabling the CVB and TAC to plan for each ensuing year. Finally, this approach is revenue neutral, no increase or decrease from past funding.

**6. Comment on the potential for a regional tourism program with or without financial participation from other area localities.**

We are regional in that we promote regional attractions and events that would directly benefit Lynchburg's hospitality and travel industry. It is a fact that the visitor does not recognize City and County borders. Rather, they recognize "regions" of interest to which to travel and explore. Lynchburg is the obvious hub for this activity, benefiting from all regional attractions. Regional marketing indeed is done, and is fully documented in both the tourism Annual Report and the Chamber's Proposal. Currently, each Regional locale participates on projects and advertising based on its need to attract a specific visitor. Regional stakeholders will meet as opportunities arise. We could chair a regional committee that could meet on a more regular basis to discuss additional projects, etc.

The Chamber could also approach counties without a developed tourism program (such as Campbell and Amherst) to determine whether a joint arrangement would work in the interests of both communities through defined projects and cost sharing. Nelson, Bedford and Appomattox counties are other potential partners in cooperative alliances and cost sharing.

Consideration of a new location for a visitor center and/or satellite visitor center could also create new partnership arrangements. Campbell County may be particularly motivated to work with Lynchburg if a regional visitor center were located adjacent to the airport.

**7. Comment on the concern that, as a member organization, the Chamber may have a conflict of interest running a tourism program that includes stakeholders who may not be members of the Chamber.**

The Lynchburg Regional Chamber of Commerce is a member organization. We proudly refer our members by phone, walk in and from the Business Directory of the Chamber website.

The Convention and Visitors Bureau operates a bit differently since the tourism program is funded from lodging tax revenues. When people call or visit the Visitors Information Center requesting tourism information, they will receive a variety of information about hotels, attractions and the like, chamber members or not. When Tourism staff works with groups, they promote lodging facilities within the City of Lynchburg, regardless of whether or not that facility is a Chamber member. Additionally, Tourism staff has worked with numerous regional attractions and locales, again, regardless of membership status in the Chamber.

The City-Chamber partnership has worked for 13 years without incident or accusation. Managing the tourism program simply means that the Chamber applies different standards for projects where public money is used.

**8. What would it take to move the tourism program to an independent body such as an authority, either regionally or the City alone?**

The program has matured and gained definition through the 13-year relationship with the Chamber. Transferring information on publications, designs, photographs, website, associations, vendors, support lists, strategies, publications, budgets, policies, etc., would require a highly interactive and cooperative process on behalf of all parties.

Furthermore, tourism is a highly specialized industry with marketing needs outside most people's scope of experience. Recreating a well-trained and focused staff from scratch would cause lost time and opportunity for Lynchburg and the region. Planning for all of the contingencies and making logistical changes necessitated by change in location could not possibly be done in less than a year.

**9. Comment on the statistics provided by the Hotel/Motel Association with respect to national averages for salaries, marketing, etc. What are reasonable performance targets?**

The IACVB figures referred to in this question are relatively new to us, as the LRCVB only joined the IACVB in 2005. It should be generally

understood that an AVERAGE is just that, that various localities have differing needs and funding levels available to them. It might be that other marketing areas our size have much greater incomes to deal with, which would obviously tilt the budget ratios.

Additionally, as far as actual salary levels are concerned, a nationwide study of salaries for similar positions would almost certainly push ours to the lower end of the spectrum, certainly too low to attract outside expertise to relocate to the region for a career opportunity.

Because of the efficiency gained by sharing of expenses, the tourism program benefits from lower overhead than independent programs, allowing more funds to be used for providing services and marketing. Staff services include manning the visitor center, promotions and marketing, and sale and service of meetings, conventions and sporting events – all activities specified in the contract with the City.

**10. Address the issue of Chamber staff time being charged to the tourism program. Is there a reciprocal charge back when tourism staff assists with “chamber” activities? Demonstrate how these charges are accounted for.**

The program is designed for 4 full-time employees to spend their time working on goals and projects of the tourism program. Duties such as reception, human resources, accounting, communications, and data base management are services provided to the program by Chamber employees. This flexible staffing allows the tourism services to benefit from general services without the inefficiency of having to hire a receptionist, an accountant, a manager with human resource expertise, a communications specialist and a data base/IT manager. The Chamber does not charge the tourism program for all possible “billable hours” and most of the Chamber’s approximately \$90,000 in in-kind services are from unbilled services provided to the tourism program.

It is reasonable to conclude that one-quarter (25 percent) of working hours of the President and Director of Finance is spent on the tourism program. While most of the expenses of Chamber support services are derived through these two employees, so are most of the unbilled, in-kind services. Also notably, the tourism program is not billed for any of the Chamber’s extensive data base management nor for the resulting information that the tourism program uses.

Tourism employees are invited to participate in a range of Chamber events free of charge. Tourism employees benefit from these events in the same manner as any Chamber member – through new knowledge or contacts. Naturally, tourism employees may be asked to provide minor administrative services if they are in attendance at these events – this is most likely the exception rather than the rule.

The Chamber's other 3 divisions are set up to be largely self sufficient in terms of organizing and managing their goals and programs. Similar to the tourism program, a variety of HR, communications, data base/IT, reception and accounting services are provided to each division.

Based on the ebb and flow of demands caused by close scheduling of major projects, there may be times when available tourism employees are asked to assist with a Chamber project. In April of 2005 when this trend began to emerge, the director of finance began accounting for time spent by tourism employees on Chamber projects – in exactly the same fashion as Chamber employees are asked to account for time spent on tourism projects. Monthly, all employees are now asked to account for tourism time spent on Chamber projects or Chamber time spent on tourism projects. All employees are asked to keep track of this time for these reports. Through computation of an hourly rate of individual employee costs, the net expense is assessed to the tourism program.

**11. Explain the match of revenues and expenditures year to date on the Income Statement for the Nine Months ending September 30, 2005.**

Quite simply, the income statement generated for TAC and City Council does not contain a "profit" or "net income" bottom line, as do conventional income statements. The Chamber does not earn a profit from the tourism program and directs every penny toward expenses associated with operating the program. Any unused portion of tourism funds can be found in the line item, "Deferred Income." Knowing this, it is understandable why expenses and revenues match to the penny every month.

**12. Project future trends that might impact the tourism program.**

Keeping an eye toward future possibilities, the Chamber is seriously advancing the idea of a Regional Visitor/Business Center, a one-stop location with a co-location structure for a new Visitor Center and Chamber offices. The best-case scenario would also include space for other economic development oriented organizations.

We are also looking at trends that could positively affect the program, notably regional advertising and marketing efforts. We have already established active work in this area and plan to continue building on the cooperation we have labored to create and utilize with our neighboring Tourism and attractions specialists.

Our data-push website, which we created in 2004, works directly with the VTC website. This takes advantage of electronic outreach capabilities on the cutting edge of Internet connectivity and interaction, aimed at the growing computer-savvy travelers. Having made this investment of time and effort into technology, we will certainly stay on top

of further developing trends, particularly those partnered with the Commonwealth, as they are made available to us.

**13. Comment on the feasibility of a three to six month extension of the present contract.**

This arrangement would harm the program and undermine any reasonable transition. More importantly, it would be unfair to the current employees of the tourism program who are not guaranteed employment through any yet undetermined sponsor. The Chamber would be interested in a one-year, preferably a two-year extension to provide program continuity and assurances to current employees. Just as important is the fact that it will take at least a year to fully develop and implement the aforementioned goals and action steps, especially those outlined in items 1, 2, 6, and 8. Also, if and once an alternative structure/governance group is identified, there should be at least a one-year period to create a reasonable transition.



## Tourism Proposal

### Questions for the Hotel/Motel Association

1. What should be the top three goals of the tourism program?  
*The Convention & Visitors Bureau exists to attract meeting, convention and tourism business to the community, thus enhancing and contributing to the overall identity and economic well being, with primary emphasis on increasing area guest room business.*
  - Increase room nights in Lynchburg
  - Increase hotel/motel tax revenue for the City of Lynchburg
  - Bring more visitors to the City of Lynchburg
  
2. What specific actions could improve the tourism program?
  - Direct oversight over the program by City of Lynchburg
  - External Audits
  - Spend less on operations and more on advertising
  
3. What do you consider to be the most relevant measures of performance?
  - Hotel Occupancy % (Smith Travel Research)
  - Average Rate (Smith Travel Research)
  - # Room Nights (\$1.00 per room night)
  - Accommodation Tax Collection Figures (Dept. of Revenue)
  - Restaurant Tax Collection Figures (Dept. of Revenue)
  - # Sales Calls (CVB)
  - # RFP's Generated (CVB)
  - # RFP's Booked (CVB)
  - # Visitors at Lynchburg Visitors Center (CVB)
  - # Visitors to area attractions
  - Cost Per Inquiry for advertising
  
4. What should be the focus of marketing efforts?

Consumer/Leisure Traveler- Visitors should be invited to discover the wealth of heritage/cultural attractions. History Made Here! Our region represents many important eras of American history, including: Civil War, African-American Heritage, Revolutionary War, Industrial Revolution, and World War II.

Motor Coach Groups- Promote Lynchburg as a destination rather than a stopover for motor coach operators within a 500 mile drive of Lynchburg. Develop Hub/Spoke itineraries with regional attractions.

Meeting Groups- Promote Lynchburg as Virginia's most central meeting destination. Let Lynchburg can be the center of your next meeting in Virginia.

5. Please be prepared to discuss the budget comparison section of the proposal.

A copy of the IACVB Organizational & Financial Report will be presented

6. Would the proposed Tourism Leadership Council replace the Tourism Advisory Committee?

yes

We need more representation from professionals in the hospitality industry. The current TAC Committee only meets 4 times per year and includes a hospital employee, a mortgage broker, and a realtor. Current TAC members would be welcome to apply to be a part of the Tourism Leadership Council. The Tourism Leadership Council would have direct budgetary oversight over the program.

7. Please explain the basis of the suggested \$90,000 in savings.

By reducing salary costs from 60% to 35% and subtracting the costs for utilities, temporary services and chamber office space (because the program would be housed in a City building rather than the Chamber building), more than \$90,000 could be saved annually. Initially, some of that savings would go toward providing some start-up costs, including new computers and office equipment, but these things will pay for themselves quickly.

8. Please explain how program expenses could be covered with a reduction in resources and additional funds dedicated to advertising.

Sample Budget

9. What should be the focus of an expanded advertising program?

See question #4

10. Comment on the potential for a regional tourism program with or without financial participation from other area localities.

Visitors to our region do not recognize borders, but want to experience all that we have to offer. Some of the areas most popular attractions are located outside of the Lynchburg city limits. It is in our best interest to promote all area attractions.

In the past, there has been success in building regional coalitions to apply for grant funds from the Virginia Tourism Corporation and the Virginia Foundation for the Humanities.

By bringing the tourism program under the Office of Economic Development there will also be opportunities to work more closely with Region 2000 to seek funding from surrounding jurisdictions.

## **Tourism Notes**

(11/03/05)

I do not believe that placing the tourism program under City administration would add value to the program. At a time when I am trying to reduce the size of City staff, this would be a step in the opposite direction.

Placing the Tourism Program under City administration would disrupt the program for some period of time.

Placing the program under City administration would not eliminate the need to establish long term goals and performance measurements for the program. Making the transfer and expecting immediate significant change in the program is unrealistic. Furthermore, making fundamental changes will require an investment of time from an already busy City staff.

City management of the program would be more costly.

Transferring the present Tourism positions to City employment at the same salaries will cost approximately \$20,000 more due to benefits.

Overhead costs cannot be discounted.

Space would have to be found for program staff. The Visitors Center does not have the room to transfer three positions to it.

It should not be assumed that all Tourism Program staff would simply transfer from employment by the Chamber to City employment. City administration should have the discretion to hire as it sees fit.

I am concerned that moving the tourism program under City administration could politicize the program. Dissatisfied stakeholders, and they will always exist, may tend to call Council members directly to express their concerns.

The statistics presented by the Lynchburg Hotel/Motel Association are not relevant for comparison to the LACVB. Statistics were gathered from approximately 140 CVB's with average annual budgets of over \$7 million, 75% of which operate convention centers.

The numbers provided by the LHMA do not work. You cannot reduce the revenues by 25%, devote 40% of the remaining revenues to marketing, and pay staff salaries, let alone other costs. When I asked the LHMA if their proposal was to reduce the size of the tourism staff, they told me that it was not. Their proposal cannot work unless staff is reduced.

Consider the revenues and expenditures per FTE as reported in the VA Tech audit. The City program is less than one half.

If a certain staff size is necessary to operate a CVB then there are certain costs associated with that staff size. If the budget provides little more funding than that necessary for the staff, it follows that only a small percentage of funds will be available for marketing or other activities.